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Report Highlights:
* Ministers to Travel to Geneva * Strike Slows Alberta Cattle Processor Operations * First Decline in Frozen French Fry Production in More Than a Decade * Imperial Tobacco Closing Ontario Plants * Ontario and Manitoba Move Ahead with Daylight Savings Time Extension * Measner to Be Re-Appointed President of CWB * Ontario and Quebec Corn Estimates Up * Forestry Industry Proposes Tax Relief * Supply Managed Industries Call on Federal Government to Reject WTO Proposals

Includes PSD Changes: No
Includes Trade Matrix: No
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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

MINISTERS TO TRAVEL TO GENEVA: Canadian International Trade Minister Jim Peterson and Agriculture and Agri-Food Minister Andy Mitchell will travel to Geneva, Switzerland, to participate in informal meetings of World Trade Organization (WTO) ministers on October 20, 2005. According to the government press release, the Ministers will seek to further promote Canada's objectives in all areas of the Doha Development Agenda and to help the negotiations progress in preparation for the Sixth WTO Ministerial Conference being held in Hong Kong in December 2005.

STRIKE SLOWS ALBERTA CATTLE PROCESSOR OPERATIONS: With the strike into its second week, operations are slowed at Lakeside Packers, the Tyson-owned cattle processing plant in Brooks, Alberta that accounts for about one-third of Canada's total cattle slaughter. Press reports indicate that about 1,000 workers want to continue working but that striking union members are slowing access to the plant and only about half that number are actually gaining entrance. Last week, the company won a court order limiting picket line activities but is now requesting a separate order to facilitate worker entry. Union members of the United Food and Commercial Workers Union claim that the plant is only slaughtering about 500 head per day compared to the 3,800 head per day before the strike. The company has said it has the option to divert cattle to its U.S. plants if it is unable to process adequate numbers of cattle at the Alberta facility.

FIRST DECLINE IN FROZEN FRENCH FRY PRODUCTION IN MORE THAN A DECADE: Canadian frozen french fry production during MY2004/05 slipped almost 2% from the year earlier level to an estimated 1,365,000 metric tons. The decline marked the first time in more than a decade that french fry output in Canada failed to show a year-over-year increase. Prospects for MY2005/06 point to another decline in Canadian frozen french fry production due to sluggish demand in domestic and export markets. As a result, Canadian potato producers reported a decline in processing potatoes under contract and subsequently reduced the area planted to potatoes in 2005 to 159,400 hectares, down 9% from the 2004 level. Canadian exports of frozen french fries to the United States in MY2004/05 dropped to 776,146 metric tons, down 6% from the year earlier level of 822,909 metric tons. However, the value of exports over the period was virtually unchanged at $538 million making frozen french fries the third most valuable Canadian agricultural product export to the United States after beef and pork. U.S. frozen french fry exports to Canada during MY2004/05 totaled 30,153 metric tons, down sharply from a year earlier reflecting weak demand in Canada. For more information on developments in the Canadian frozen french fry industry, see CA5070, available soon under Attaché Reports on the FAS homepage: www.fas.usda.gov

IMPERIAL TOBACCO CLOSING ONTARIO PLANTS: Imperial Tobacco Canada has announced that it will be closing its manufacturing plants in Guelph and Aylmer, Ontario and move production to Mexico, where its British parent has operations. Imperial Tobacco is Canada's largest cigarette producer. The relocation to Mexico will result in the loss of 635 jobs in Ontario and 15 jobs in the company's Montreal headquarters. The company indicated the ongoing sales decrease in Canada as the primary reason for the move to Mexico, but Imperial says it will continue to maintain a strong presence in Canada.

ONTARIO AND MANITOBA MOVE AHEAD WITH DAYLIGHT SAVINGS TIME EXTENSION: According to press reports, Ontario has agreed to match the decision by the U.S. to extend daylight savings time starting in 2007. The move came after consultations with Ontario companies resulted in overwhelming support for extending daylight time in order to remain in sync with the United States. Manitoba's provincial government has also stated that it will be following Ontario's lead. Quebec has also indicated that it will most likely move to extend daylight savings time. Other provinces have also indicated that they are seriously considering making the change.

MEASNER TO BE RE-APPOINTED PRESIDENT OF THE CWB: According to press reports, the federal government is proposing to re-appoint Adrian Measner as the president and chief executive officer of the Canadian Wheat Board (CWB). The move came after the Canadian Wheat Board Minister, Reg Alcock, announced that he had accepted the recommendation of CWB's board of directors to re-appoint Mr. Measner. The proposed re-appointment has been forward to the Standing Committee on Agriculture and Agri-Food for consideration. Mr. Measner has already served one term as president and CEO and has held key executive positions at the CWB during his 24-year tenure there.

ONTARIO AND QUEBEC CORN ESTIMATES UP: According to estimates by the Ontario Corn Producers Association (OCPA), corn production in Ontario and Quebec has rebounded and will be higher than originally estimated. In its October estimate, OCPA is expecting Ontario's corn production to reach 5.20 million metric tons (MMT) as a result of higher yields. The OCPA estimate is higher than Statistics Canada's September numbers, which predicted that Ontario corn production would be approximately 4.95 MMT. The OCPA is also estimating a slight decline in imports of corn from the United States, down from 1.78 MMT, as it estimated in September, to 1.65 MMT. The OCPA is also forecasting an increase in Quebec's corn production, pegging it at 3.51 MMT, which is slightly higher than its September estimate and 7% higher than Statscan's latest estimate of 3.28 MMT. Hot summer weather and lack of rain in some corn growing areas of Ontario were expected to result in a smaller corn crop, but timely rains in other regions of the province proved to be beneficial for the rest of the corn crop.

FORESTRY INDUSTRY PROPOSES TAX RELIEF: Members of Canada's forestry industry appeared before the Standing Committee on Finance to ask the federal government to implement tax breaks in order to help the industry make the necessary changes to remain competitive and operational. High energy prices, a rising dollar, increased competition and the softwood lumber dispute are some of primary drivers behind the industry's call on Ottawa for help in order to avoid mill closures across the country. The Forest Products Association of Canada (FPAC) outlined the need for a 10% refundable investment tax credit to encourage companies to inject the necessary capital to encourage modernization and private investment in the future of the industry, as well as help convert mill boilers to run on wood waste products such as biomass, enabling the industry to become more energy self-sufficient rather than relying on fossil fuels. The impact of high energy costs have been felt, especially in Ontario, where mills are having a hard time adjusting to the spike in energy prices. Biomass is a by-product of pulp and paper process and would offer an alternative to conventional energy sources. Some mills are already using biomass as an alternative energy source, but many others lack the necessary capital to make the change. Lumber producers such as Canfor Corp and Tembec Inc. have made investments in biomass operations, but these companies feel that the tax credit is needed for further reinvestment in their plants.

SUPPLY MANAGED INDUSTRIES CALL ON FEDERAL GOVERNMENT TO REJECT WTO PROPOSALS: Canada's dairy, poultry, and egg producers (SM-5) have called on the Canadian government to reject trade proposals tabled by the European Union and the United States at the World Trade Organization (WTO). According to the SM-5's press release, the two proposals do nothing for Canadian farmers by proposing cuts to tariffs, but still enabling producers in the EU and U.S. the latitude to offset any revenue loss with subsidies to their producers, thereby hurting Canadian producers who rely on the marketplace for their revenue. Also according to the release, the proposals would not correct the inequities of the previous round, stating that Canada already imports a larger percentage of d airy products under tariff-rate quotas than the U.S. and more poultry than Europe, with neither offering more access in this round. The SM-5 claims that it cannot cut over-quota tariffs and then offer more access on top of that without hurting the stability of the dairy, egg and poultry markets and without offering any benefits to the other agricultural sectors in Canada. Dairy, poultry and egg farmers across the country are meeting with their federal and provincial politicians to explain the problems and impacts of the current proposals. The SM-5 represents roughly 22,000 producers in Canada.

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